

Message Text

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ACTION EUR-12

INFO OCT-01 IO-10 ISO-00 ERDA-05 AID-05 CEA-01 CIAE-00

CIEP-01 COME-00 DODE-00 EB-07 FEAE-00 FPC-01 H-02

INR-07 INT-05 L-02 NSAE-00 NSC-05 OMB-01 PM-03

USIA-06 SAM-01 OES-03 SP-02 SS-15 STR-04 TRSE-00

FRB-03 AF-06 ARA-06 EA-06 NEA-10 PA-01 PRS-01 OPIC-03

XMB-02 /137 W

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R 221734Z MAY 75

FM AMEMBASSY BONN

TO SECSTATE WASHDC 0301

INFO USMISSION USUN NEW YORK

USMISSION EC BRUSSELS

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E.O. 11652: N/A

TAGS: PFOR, ENRG, EGEN, UN, GW

SUBJECT: FRG STOCK-TAKING OF POLICIES TOWARD THIRD

WORLD: AID POLICY

REF: BONN 7146

1. BEGIN SUMMARY: AS PART OF FRG STOCK-TAKING EFFORT,
AN AD HOC INTERAGENCY COMMITTEE UNDER CHAIRMANSHIP
OF MIN FOR ECONOMIC COOPERATION IS STUDYING PROPOSALS
FOR RESHAPING FRG AID POLICY TO MAKE IT A MORE
USEFUL TOOL IN SUPPORT OF OVERALL FRG INTERESTS
RELATED TO THE THIRD WORLD. MOST OF THE PROPOSALS
UNDER CONSIDERATION ARE NOT NEW. THEY INCLUDE
TRILATERAL COOPERATION WITH OPEC COUNTRIES; GREATER
EMPHASIS ON BILATERAL PROGRAMS; USE OF AID FUNDS TO
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DEVELOP RAW MATERIAL SUPPLIES; HARDER TERMS FOR

MORE CREDITS TO ADVANCED LDC'S; AND AN EFFORT TO DE-EMPHASIZE DONOR TARGETS AND TO FOCUS ATTENTION INSTEAD ON WHAT IS ACCOMPLISHED IN RECIPIENT COUNTRIES. FRG AID POLICIES WILL SOON BE SUBJECT OF A MAJOR DEBATE IN BUNDESTAG. HOWEVER, FRG IS ALREADY LOCKED INTO LONG-TERM COMMITMENTS, BOTH TO PARTICULAR RECIPIENT COUNTRIES AND TO IFI'S. A MAJOR OVERHAUL OF FRG AID POLICY IS THEREFORE UNLIKELY. END SUMMARY

2. FOR SOME MONTHS THE ECONOMIC COOPERATION MINISTRY HAS BEEN PREPARING A MAJOR REVIEW OF FRG AID POLICY (SEE BONN 2238). AN INTER-AGENCY TASK FORCE IS CURRENTLY VETTING A ECON COOP MIN PAPER SETTING FORTH PROPOSALS FOR NEW AID POLICY INITIATIVES, WITH THE GOAL OF PREPARING A SET OF PROPOSALS FOR CONSIDERATION JUNE 9 BY A SPECIAL CABINET TASK FORCE ON AID POLICY.

3. THE ECONCOOP MINISTRY'S DRAFT PAPER, PORTIONS OF WHICH WERE PUBLISHED BY FRANKFURTER ALLGEMEINE ON MAY 20, CLEARLY REFLECT NEW INITIATIVES WHICH AID MINISTER BAHR IS SEEKING TO GIVE TO FRG AID POLICY. THE FOLLOWING QUOTE INDICATES THE WEIGHT ACCORDED TO POLITICAL CONSIDERATIONS IN PREFERENCE TO MORE TRADITIONAL GOALS OF CONTRIBUTING TO DEVELOPMENT PER SE.

QUOTE: ORIGINALLY PLANNED TO HELP THE NEEDS OF NEWLY INDEPENDENT PEOPLE, DEVELOPMENT POLICY IS INCREASINGLY BECOMING A MEANS FOR AVOIDING OR AMELIORATING INTERNATIONAL CONFLICT AND TENSION. THE EXPLOSIVE POWER OF THE PROBLEMS OF THE THIRD WORLD, THE EFFECTS OF WHICH ARE DIRECTED AGAINST THE INDUSTRIALIZED WORLD, WILL ATTRIBUTE AN EVEN STRONGER CHARACTER TO FUTURE DEVELOPMENT POLICY AS BEING A MEANS FOR CONSERVING PEACE. UNQUOTE

4. THE INTER-MINISTERIAL DEBATE OVER SPECIFIC LIMITED OFFICIAL USE

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PROPOSALS IS FAR FROM RESOLVED. BAHR'S SCHEME FOR TRILATERAL COOPERATION WITH OPEC COUNTRIES IS RUNNING INTO TOUGH WEATHER. A FOREIGN OFFICE OFFICIAL PARTICIPATING IN THIS REVIEW HAS POINTED OUT TO US THAT THE SAUDIS AND OTHER POTENTIAL PARTICIPANTS HAVE SHOWN INTEREST ONLY IN PRODUCTIVE FACILITIES WHICH COULD BE EXPECTED TO RETURN A PROFIT QUICKLY, AND THAT THEY HAVE NOT BEEN WILLING TO

PARTICIPATE WITH FRG IN LARGE INFRASTRUCTURE PROJECTS WHICH BAHR ENVISAGED. DESPITE EFFORTS TO SWITCH AID FLOWS TO BILATERAL CHANNELS, MULTILATERAL PROGRAMS WILL ACCOUNT FOR AN EVEN LARGER SHARE OF THE FRG AID BUDGET THIS YEAR, AND THERE IS LITTLE REASON TO EXPECT A CHANGE IN THIS TREND. FRG ANTIPATHY TO NEW OR ENLARGED EC AID PROGRAMS WILL, HOWEVER, REMAIN EVIDENT. OUR FOREIGN OFFICE

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SOURCE IS SKEPTICAL ABOUT THE RECEPTION WHICH RECIPIENT COUNTRIES WOULD GIVE TO AID CREDITS DESIGNED TO IMPROVE FRG ACCESS TO RAW MATERIALS, BUT WE THINK THERE IS A GOOD CHANCE THAT THIS ECONOMIC

MINISTRY PROPOSAL WILL FIND GENERAL SUPPORT WITHIN FRG. ECON COOP MINISTRY'S PROPOSAL TO TIGHTEN STANDARD TERMS FOR CAPITAL ASSISTANCE PROJECTS IN THOSE RECIPIENT COUNTRIES WHICH ARE NOT ON THE DAC LIST OF LEAST DEVELOPED OR WHICH ARE NOT MSA'S IS ALSO LIKELY TO BE ACCEPTED.

5. THE OPPOSITION CDU/CSU HAS ALSO ENTERED THE PICTURE, WITH A REQUEST ON MAY 20 FOR A MAJOR DEBATE IN THE BUNDESTAG ON AID POLICY. LIMITED OFFICIAL USE

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THE CDU/CSU CONTENDS THAT BAHR HAS ENGAGED ONLY IN GIMMICKRY, MAKING PROPOSALS SUCH AS THOSE FOR TRILATERAL COOPERATION WHICH HAVE NO CHANCE TO SUCCEED, AND CRITICIZES HIM FOR SUBVERTING FRG AID BY USING IT FOR POLITICAL GOALS. THE DATE FOR THIS PARLIAMENTARY DEBATE HAS NOT YET BEEN SET.

6. COMMENT: AS FAR AS WE KNOW, THIS REVIEW OF AID POLICY TAKES AS A GIVEN FACT THE PRIOR DECISION AGAINST COMMITTING ANY MAJOR INCREASE IN BUDGETARY SUPPORT FOR DEVELOPMENT ASSISTANCE. IN THE ABSENCE OF SIZEABLE NEW RESOURCES, THIS REVIEW CAN AT MOST LEAD ONLY TO A TINKERING AT THE MARGIN OF THE PRESENT FRG AID PROGRAM. THE FRG WILL NOT BE ABLE TO SWITCH EMPHASIS AWAY FROM THOSE MULTILATERAL PROGRAMS TO WHICH IT HAS LONG BEEN COMMITTED. SIMILARLY, IT WILL NOT BE WILLING TO PAY THE POLITICAL COST OF ELIMINATING OR SEVERELY REDUCING PROJECTS IN WHICH IT HAS PURSUED AID PROGRAMS FOR A NUMBER OF YEARS. MORE SPECIFICALLY, THE EMPHASIS TRADITIONALLY GIVEN TO THE MEDITERRANEAN AREA FOR POLITICAL PURPOSES IS NOT LIKELY TO BE ALTERED IN FAVOR OF PROPOSALS TO USE AID TO DEVELOP RAW MATERIAL SUPPLIES. HILLENBRAND

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